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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Dept. review completed

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GENERAL

1. Moscow suspected of planting rumors of Franco-Soviet negotiations: Simon Alsot, an employee of the independent leftist daily Franc-Tireur, attempted in early October to sell a leading American newspaper a story regarding secret Franco-Soviet conversations.

The story alleged that a high French official engaged in the talks, which were instigated and financed by "powerful French industrial interests in North Africa" in an effort to impair American policy in Western Europe and so relieve United States "pressure" on France concerning North Africa.

American officials investigating Alsot's alleged documentation concluded that the whole story was fabricated. Embassy files in Paris describe Alsot as a Communist and a suspected Moscow agent.

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Comment: This information tends to confirm the theory that Moscow has inspired the oft-repeated rumors of secret Franco-Soviet negotiations. Recent efforts to investigate such rumors have shown that they originated with obscure journalists who personally admitted giving them no credence.

2. Indian Ambassador believes Peiping "feeling way" toward compromise on POW issue: Chinese Communist Premier Chou En-lai recently summoned the Indian Ambassador at midnight for a two-hour talk. Chou denounced the United States for refusing to discuss the latest Chinese proposals on the prisoner of war issue and insisted that all Chinese prisoners must be repatriated.

The Ambassador believes that the Chinese Communists are "feeling the way" toward a compromise based primarily on a distinction between Chinese Communist and North Korean prisoners. (S New Delhi 1796, 29 Oct 52)

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Comment: Communist negotiators already have compromised to the extent of reducing their repatriation demands from 134,000 to 116,000 prisoners. Chou En-lai has further suggested a willingness to settle for repatriation of 100,000 provided they include all 20,000 Chinese of whom some 16,000 are unwilling to be repatriated.

Soviet officials have recently hinted in private conversations in New York that the Communists are approaching the UN position on the POW issue. Although Peiping may be preparing to compromise on its demand for the 20,000 Chinese, neither the latest Chinese proposals nor Chou's remarks to the Indian Ambassador provide specific evidence of such an intention.

EASTERN EUROPE

3. Czechs seen attempting political move to break COCOM unity: The French delegate has reported to COCOM his government's opinion that the Czechs' increased demand for strategic items, most of which are not normally imported from France, is a political move to break the solidarity of Western export controls. France recently suspended negotiations in Prague on a new trade agreement. The French feel that other COCOM countries should watch for similar tactics in their trade negotiations with the East. (S Paris 2626, 29 Oct 52)

Comment: The Dutch also recently suspended trade talks because of Czech insistence on the import of strategic items. These attempts to increase strategic imports may be an effort to break the Western control system and contribute to the disruption of Western political unity.

The shortage of hard currency, however, may be forcing the Czechs to attempt to increase essential imports under Western trade agreements in exchange for Czech exports. Previous efforts to orient its trade almost exclusively toward the Orbit appear to have failed because Czechoslovakia was unable to satisfy its needs for strategic imports from that area and was forced to import them illegally from the West at premium prices.

4. Poland reduces price on coal exports to Finland: During recent negotiations in Poland, Finnish trade officials obtained

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significant price reductions on various grades of Polish coal. The agreed prices, however, are still from \$1.00 to \$1.60 per ton higher than those negotiated recently by the other Scandinavian countries. Trade agreements provide for deliveries to Finland of 1,500,000 tons of coal in 1952 and 1,150,000 tons in 1953.

According to officials of the Foreign Ministry, the Poles stated that the coal deliveries to Finland were covered by the trilateral trade agreement with the Soviet Union, implying that deliveries from the USSR would not compensate for a larger price reduction. The Poles were apparently aware of Finland's shortage of foreign exchange which prevented it from purchasing coal from other sources. (C Helsinki Joint Weeka 43, 24 Oct 52)

5. Polish officials reportedly desire continued services of American shipping company: Captain De Barr, representative of Moore-McCormack Lines at Gdynia, has informed an Embassy official that in discussions held recently in Warsaw at the request of the Ministry of Shipping, Polish officials received him more cordially than ever before. He believes that the Polish authorities desire that his shipping line should continue services to Gdynia, and are ready to arrive at a definite agreement or arrangement to that effect. Discussions are scheduled for resumption next week, pending the receipt of instructions from his company. (S Warsaw 231, 29 Oct 52)

Comment: In retaliation for alleged ill-treatment accorded to the Batory in New York, the license of the American Scantic Lines, the company representing Moore-McCormack in Poland, was officially revoked in July 1951, and the company given until 31 December to liquidate its interests in Poland. Nevertheless, at the urging of Polish officials, Moore-McCormack vessels have continued to call at Gdynia on the basis of short term permits after the expiration date set by the Polish Government.

The cordiality of the Polish officials, and their desire for the company's ships to continue to call at a Polish port is an indication of the value they place on keeping open this channel of communication with the United States, and suggests that the official revocation of American Scantic's license was merely a propaganda measure.

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6. Satellite reaction to Yugoslav control of Danube towing service: The Yugoslav Home Service radio reports that the Czechoslovak Danube Shipping Company has withdrawn its offer to pay the advance fees for use of the Yugoslav-controlled towing service on the Danube Ship Canal. The report also states that Rumania is building a towing apparatus on its side of the Danube. (R FBIS Belgrade, 29 Oct 52)

Comment: The Czech withdrawal, if confirmed, indicates that the Soviet bloc will attempt to avoid paying the fees, at least in advance. It is doubtful, however, that Rumania could complete the construction of a satisfactory alternate towing service for a long time. The existing canal is on the Yugoslav side of the river, and a ledge of rock blocks the remainder of the river except for a natural channel on the Rumanian side which is open less than four months of the year because of insufficient depth.

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FAR EAST

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7. Chinese Mongols allegedly to choose between China and Outer Mongolia: Outer Mongolian Premier Tsedenbal's recent visit to Peiping reportedly concerned the question of allowing "groups" of Inner Mongols to decide whether "to join Outer Mongolia or to remain part of Communist China." The report did not make clear whether any territorial question was involved. (S State/ [redacted] 24 Oct 52)

Comment: The Inner Mongolian Autonomous Region, occupying western Manchuria and adjoining Outer Mongolia, is a part of Communist China. Its Mongol population, according to Peiping, is about 800,000, as against 1,600,000 Chinese and lesser ethnic groups.

Although the Peiping regime appears to be in firm control of the IMAR, there are occasional reports of a Soviet plan to contrive a plebiscite in Inner Mongolia for its absorption by Outer Mongolia. An unconfirmed report stated that certain Inner Mongols on the Outer Mongolian border have voted in Outer Mongolian elections, but it is not known whether this took place in the elections held on 19 October.

Tsedenbal came to Peiping in late September after leading the Outer Mongolian delegation to Moscow for the Sino-Soviet talks. On 4 October Peiping announced a Sino-Mongolian agreement on economic and cultural cooperation. A Sino-Mongolian or tripartite military agreement may also have been concluded. There has been no announcement, however, to suggest that any part of the populace or territory of Inner Mongolia will soon affiliate with Outer Mongolia.

8. Chinese plan to improve another route toward Tibet: The Chinese Communists planned in mid-October to begin improving the trail from Yingkuanchai, west of Kangting in eastern Sikang Province, to Pa-an on the Yangtze River. A Chungking broadcast stated that the old road is rugged and steep in many places, with most of the bridges badly damaged. This highway will be a principal route in the southern part of the Tibetan Autonomous Region. (C FBIS China Abstracts, Chungking, 14 Oct 52)

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Comment: This information does not indicate whether the new "highway" will be motorable as are two highways toward Tibet built by the Chinese Communists in areas north of this route.

The route to Pa-an covers 283 miles of a 1,322-mile caravan road from Kangting to Lhasa. This southern route has 12 passes over 15,000 feet, and is more rugged than the northern route from Kangting through Kantzu and Yushu, which has only six passes over 15,000 feet. The northern route is probably the principal one used by Chinese Communist troops entering Tibet.

SOUTH ASIA

9. Ceylon-China Friendship Association holds first meeting:
The first meeting of the Ceylon-China Friendship Association was held in Colombo on 1 October. Theja Gunawardena, President of the Association and owner-publisher of the new anti-government, anti-American weekly newspaper Trine, acted as chairman. Pieter Keuneman, one of Ceylon's leading Communists, addressed the meeting. Also present were other prominent members of the Communist Party (Stalinist) and the Lanka Sama Samaj Party (Trotskyite), as well as some Chinese.

The American Embassy in Colombo comments that the Association may embark on a propaganda campaign based on current Ceylonese-Chinese trade negotiations. (R Colombo Desp 228, 9 Oct 52)

Comment: The Ceylon-China Friendship Association is the first overt medium established in Ceylon to disseminate pro-Peiping propaganda. Announcements regarding the intended foundation of the Association coincided with the dispatch of a Ceylonese trade mission to Peiping. Its first formal meeting was held four days before the Peiping radio announced that a trade agreement had been signed.

In India and Pakistan, Chinese Friendship Associations have not engaged in overt anti-government activities.

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NEAR EAST - AFRICA

10. Turkish copper may find its way to Orbit through Lebanon:
Turkey is still negotiating with Lebanon for the export of 2,000 tons of copper, according to a US Embassy despatch of 27 October. There is no assurance that the copper would not be transshipped to the Soviet bloc from Beirut. Ankara has offered to cancel the pending transaction if the US State Department does not approve, despite the fact that such action would add to Turkey's present economic hardships. (S Ankara 549, 27 Oct 52)

Comment: In June 1952 the Chinese Embassy in Warsaw attempted to purchase Turkish copper through a Swedish middleman who had obtained an end-use certificate by bribery from the Chamber of Commerce at Beirut. The transaction was not completed when the Turkish Government, apprised of its true nature, cancelled the contract.

Since Lebanon does not have domestic requirements for copper in the above amount, this appears to be another attempt by the Chinese Communists or another Soviet bloc member to obtain copper by a circuitous route.

11. South Africa to reduce air unit in Korea: The acting Air Chief of Staff of the South African Air Force informed the American Embassy on 29 October that the Union would reduce the number of its planes in Korea from 25 to 18 following conversion to jets. This action will permit a reduction in South Africa's present manpower commitments in Korea. (S Pretoria 119, 29 Oct 52)

Comment: Although South Africa has talked of reducing its forces in Korea because of criticism in the United Nations over the government's racial policies, the above action is probably being taken to return South African pilots and maintenance men who are urgently needed in the Union for the air training program.

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WESTERN EUROPE

12. West German diplomatic delegation to Arab states to discuss commercial relations: A spokesman of the West German Foreign Ministry declares that the specially appointed diplomatic delegation to Saudi Arabia and Iraq will discuss commercial relations while seeking to ameliorate Arab criticism of the West German-Israeli restitution settlement. Bonn will not establish regular diplomatic missions in these states for the present because West German-Arab relations are not yet fully developed, and the Foreign Ministry is not only short-handed, but also demoralized by recent press and parliamentary attacks on its personnel. (S Bonn 1936, 28 Oct 52)

Comment: The Foreign Ministry was censured last week in a formal parliamentary resolution for having former Nazis in its employ. The resolution instructed Chancellor Adenauer to report by December how he intends to rectify this situation.

This development along with the shortage of experienced diplomatic officers may in part explain Bonn's failure to establish a permanent mission in Iran, where the Allied High Commission has already authorized the establishment of an embassy.

13. French Communists seek to obstruct government's case against leaders: The French Communists are conducting a ruthless campaign of organized pressure and intimidation in an attempt to persuade the National Assembly to reject the government's request for a waiver of the parliamentary immunity of five Communist leaders. Signature drives have been organized and Communist delegates are being sent to the deputies' homes and offices to register protests and veiled threats against those who might vote for the waiver.

A member of the Immunities Commission has issued a formal statement denouncing these methods and warning that the campaign is likely to accomplish the opposite of its purpose. (C Paris 2639, 29 Oct 52)

Comment: The Communists, in an effort to exploit the traditional extreme sensitivity of French parliamentarians on threats to their immunity, have prominently published the names of the members of the Immunities Commission who voted against postponement of this case. They have also requested a roll-call vote in the Assembly on the immunity question.

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LATIN AMERICA

14. Batista reportedly adopting more lenient attitude toward Cuban Communists: [redacted] the Batista Government, faced with continuing Communist-inspired strikes, public disorders, and anti-regime propaganda, has decided to abandon its recent policy of open interference with Communist organizations and activities. The Military Intelligence Service and the Bureau of Investigations have reportedly been ordered to cease violent measures against the PSP and other Communist organizations. [redacted]

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Comment: This reportedly more lenient attitude probably reflects no basic change in government policy toward Communism, but rather a temporary move dictated by political expediency to diminish anti-Batista agitation and avoid further internal difficulties.

Presumably the measure for the formation of a "Committee to Investigate Communist Activities," now up for approval by President Batista and his Council of Ministers, may now not be passed. The bill's defeat would prevent the first real move against Communists in Cuba apart from the government's recent harassing activities.

15. Panamanian Assembly passes resolution criticizing US policies in Canal Zone: On 28 October, the Panamanian National Assembly approved by a large majority a resolution, introduced by a member of the opposition, criticizing United States policies in the Canal Zone, but expressing confidence in United States willingness to adjust them in accordance with the 1936 Canal Zone Treaty.

The resolution implied that the United States had violated the 1936 treaty by allowing commercial competition from Canal Zone enterprises to cripple Panamanian business. It also criticized racial discrimination and wage differentials between Panamanian and North American workers in the Zone.

A special hearing on the resolution was scheduled to begin on 30 October. Prominent business and political leaders are expected to testify. (U Panama City 218, 29 Oct 52)

Comment: President Remon has already indicated that he will seek a revision of the 1936 treaty. He is assured of virtually unanimous support in the National Assembly on this

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popular issue. However, the small opposition group in the Assembly may try to seize the initiative by demanding revisions more drastic than those contemplated by Remon.

16. Dominicans may purchase British planes if delivery of US aircraft delayed: [redacted] states that Dominican Air Force officers recently visited the United States apparently to check the readiness of F-47 aircraft committed for delivery to their government. The US Embassy considers it essential to the protection of US-Dominican relations and to the success of the proposed bilateral military assistance agreement that deliveries proceed exactly as scheduled.

In view of the current British drive to sell jets to Latin America and the scheduled visit to the Dominican Republic of the British "jet air circus" in November, the Embassy also considers it likely that the Dominicans will cancel their F-47 order and buy British jets if delivery of the US aircraft is delayed even a few days. (C Ciudad Trujillo 93, 29 Oct 52)

Comment: In line with the expansion program of its air force, the Dominican Republic has on order with the US Government 25 F-47 aircraft to be delivered not later than June or July 1953. It has also recently contracted for the purchase of 32 F-51's from the Swedish Air Force.

The British Government recently arranged for the sale of 70 jet Gloucester Meteors to Brazil and presumably has more to sell. It is believed that the Dominicans would be interested in adding jet fighters to their present conventional aircraft strength.

17. Bolivian nationalization decree to provide for some compensation: President Paz Estenssoro has expressed his conviction that Bolivia has a right to take over the big three mining companies without compensation since claims against them exceed any reasonable payment; but in recognition of the United States position and the desire to avoid international friction, provision for some payment will be made. Paz stated that American attorneys have studied his government's case and are satisfied that it could be upheld in American courts. (C La Paz 138, 29 Oct 52)

Comment: The compensation contemplated is probably intended primarily for American shareholders who have important holdings in one of the Patino companies. So far as is known, there is no significant American investment in the Hochschild or Aramayo companies, although these companies have some Swiss, Spanish, Chilean, Argentine, and Canadian shareholders.

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WESTERN EUROPE

1. New French-German Saar negotiations appear distant: The West German Government appears unperturbed by the recent breakdown of the Saar negotiations, and there is little indication that it will ask for a resumption of French-German talks soon.

In Paris, Schuman is reported to have said that little possibility exists for a compromise of the disputed economic issues until a new West German Government is elected in 1953.

Minister President Hoffman of the Saar territory has declared that the Saar elections will be held on 30 November, and that no further postponement is possible unless France and West Germany reach an agreement before 8 November, when the electoral campaign will begin. (S S/S Bonn 1967, 29 Oct 52; S S/S Strasbourg 171, 30 Oct 52)

Comment: Chancellor Adenauer seems convinced that West German ratification of the Bonn and Paris treaties is assured, and apparently feels that an immediate settlement of the Saar dispute is now less urgent. West German diplomats also have suggested that the French Government may be more amenable to compromise when its domestic political position improves.

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